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FOR IMMEDIATE RELEASE:

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ARKANSAS COMMISSION FILES COMPLAINT AGAINST ENTERGY

Today, the Arkansas Public Service Commission ("APSC") filed a complaint with the Federal Energy Regulatory Commission ("FERC") asking FERC to thoroughly investigate the prudence of Entergy's generation and transmission practices which are affecting the retail rates of its customers. The Arkansas Commission has asked FERC to use its federal authority to require Entergy to act responsibly and prudently to lower its system production costs, so that Arkansas ratepayers will not be forced to incur unfair and unreasonable costs as a result of the actions or inactions of Entergy. Furthermore, the Arkansas Commission requests that FERC disallow any costs caused by Entergy's imprudent behavior, so that no retail customers of Entergy would be required to pay for them. Entergy owns Entergy Arkansas, Inc., as well as four other utilities in Louisiana, Mississippi, and Texas.

The Arkansas Commission stated that the complaint was necessitated by the FERC's June 1, 2005, decision, which declared that all of the Entergy retail utilities' production costs must be within a bandwidth of plus or minus 11% of the system average production cost. The FERC denied petitions for rehearing of that decision, including that of the APSC, on December 19, 2005. Because Entergy Arkansas' production costs are below the bandwidth, the FERC's decision, if affirmed on appeal, will require Entergy Arkansas to make annual payments to other Entergy utilities, primarily in Louisiana. Under the FERC's order, the payments will begin in 2007, based on 2006 production costs. The level of payments is difficult to estimate because they will vary with the price of natural gas; however, Entergy's estimates have ranged from \$150 million to \$358 million per year.

The APSC stated that a complaint before the FERC was necessary because the bandwidth remedy removes the great majority of production costs from the jurisdiction of retail regulators to FERC. Production costs make up approximately 72% of Entergy Arkansas' retail costs. The operation of the FERC bandwidth also creates perverse economic incentives that will result in higher overall system costs unless the FERC closely scrutinizes those costs. Any efforts to reduce production costs by EAI and the APSC will primarily benefit the higher-cost Louisiana utilities, because any decrease in EAI's production costs will bring it further below the bandwidth and thus increase EAI's bandwidth payments to the higher-cost Louisiana utilities. Any efforts by the higher-cost Louisiana utilities and their regulators to reduce their production costs will primarily benefit EAI, because the reduction will bring their costs closer to the system average and thus decrease their revenues from EAI. Thus, the Louisiana utilities have no real incentive to reduce their production costs. Unchecked, the Louisiana utilities and regulators can just sit on their hands and continue to pass along to Arkansas ratepayers their higher production costs. The APSC's only recourse to reduce production costs to EAI is to lower production costs for all the Entergy retail electric utilities, which can only be achieved through FERC action.

The specific areas that the APSC asked the FERC to investigate include:

- Whether Entergy has imprudently failed to make upgrades to its transmission system which would reduce production costs to its customers;
- Whether Entergy's wholesale purchasing practices have resulted in lowest-cost, prudent, and reasonable costs to consumers;
- Whether Entergy's customers would benefit from the integration of independent power producers into its economic dispatch;
- Whether Entergy imprudently failed to timely implement its wholesale Weekly Procurement Process to the detriment of ratepayers;
- Whether Entergy has imprudently failed to retire its old, inefficient oil- and gas-fired generators to the detriment of ratepayers;
- Whether Entergy has imprudently failed to construct or acquire coal-fired generation for its Louisiana utilities; and
- Whether Entergy's provision of access to its transmission system is fair and non-discriminatory.

Under FERC procedural rules, Entergy must file an answer to the complaint within twenty days, unless the FERC grants an extension of time. The FERC may then set the complaint for hearing, dismiss it, or take such other action as it deems appropriate.

A copy of the complaint is available on the APSC website at www.Arkansas.gov/psc under Hot Topics.

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FOR MORE INFORMATION, PLEASE CONTACT:

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